

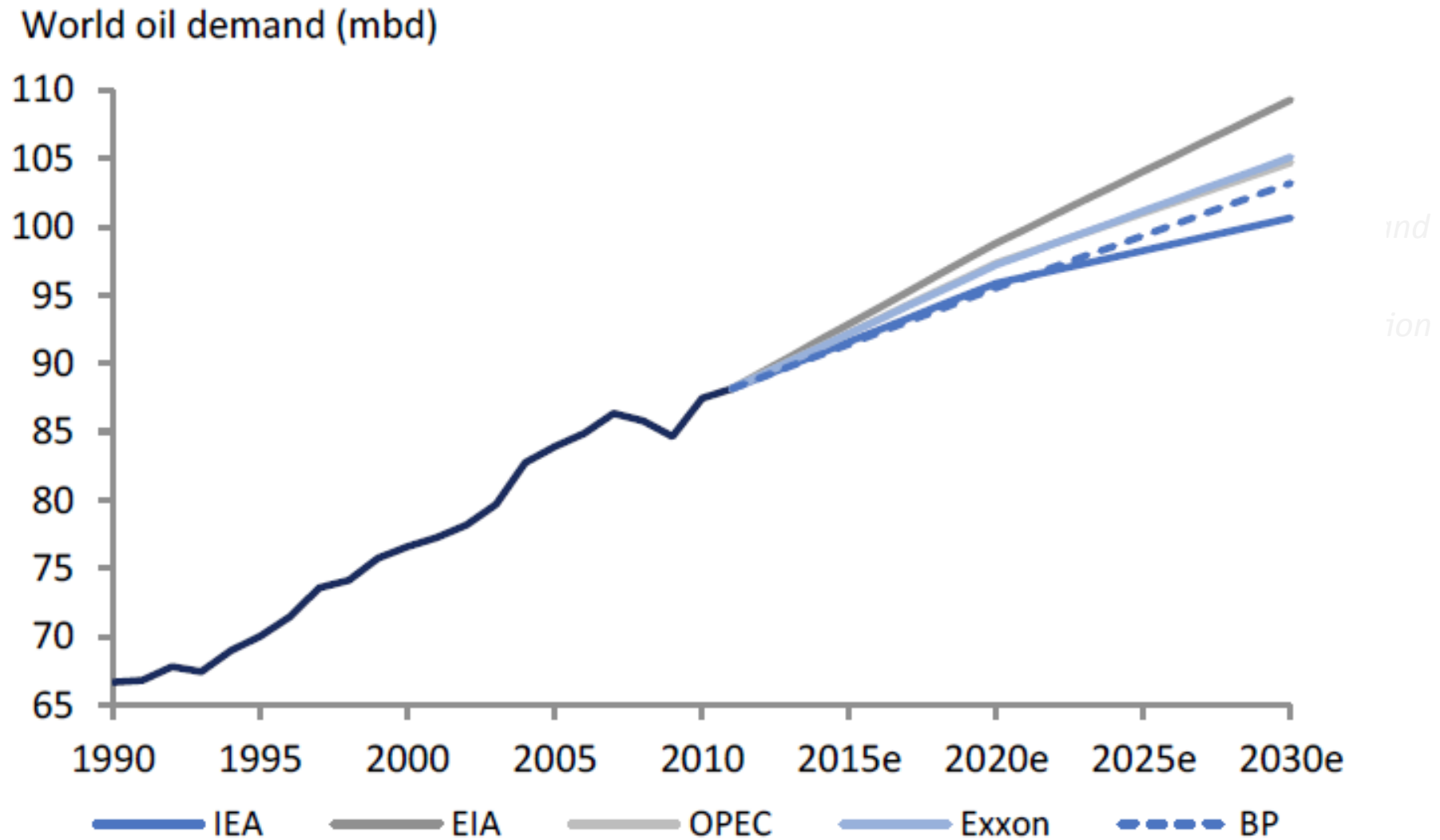
Offshore oilservice market outlook

- Mare Forum Rome, May 2013



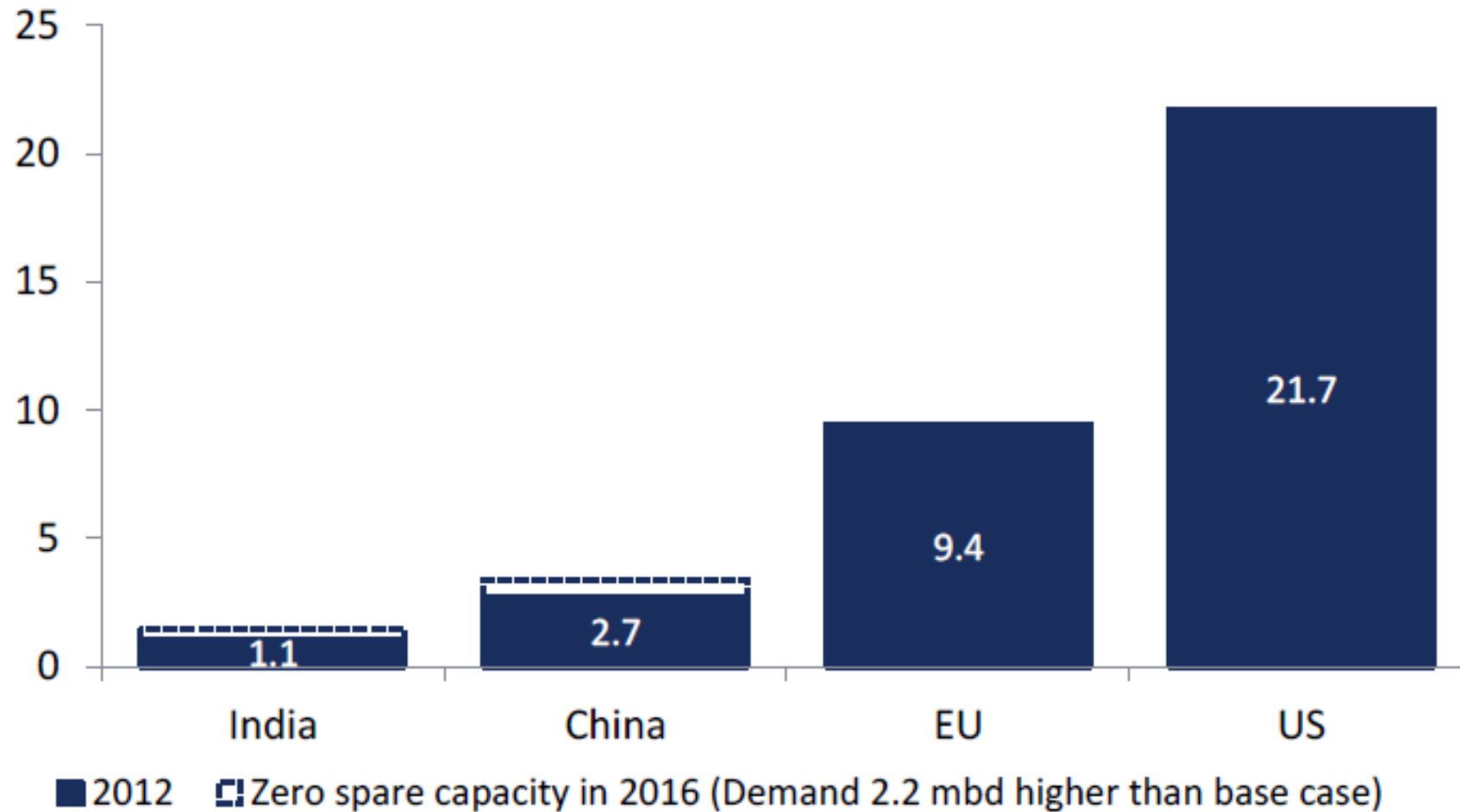
Wilhelm Magelssen
Direct: +47 2201 5883
Mobile: +47 9243 9849
Email: wcm@pareto.no

Are we still demanding oil?



Room for more growth?

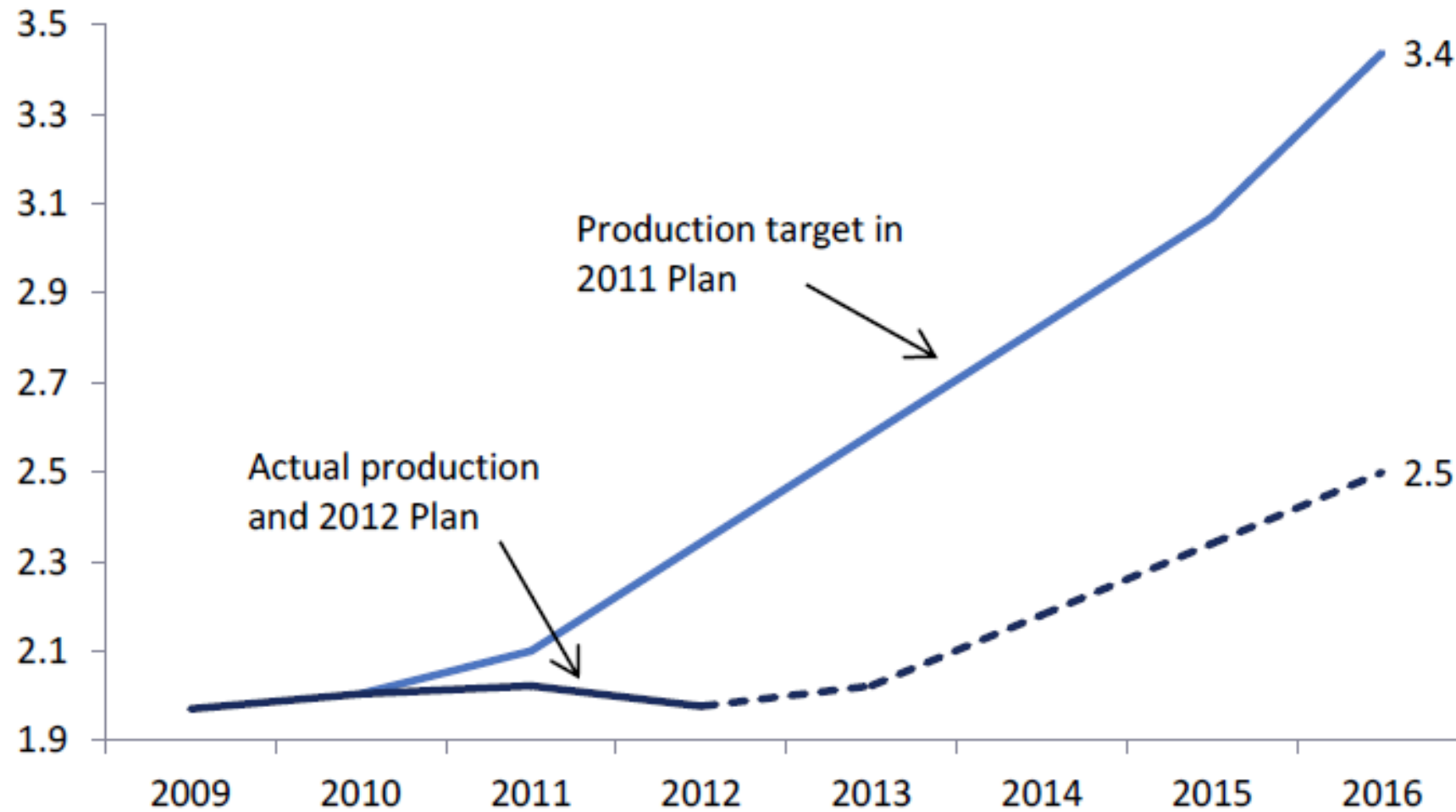
Oil consumption per capita (bbls/year)



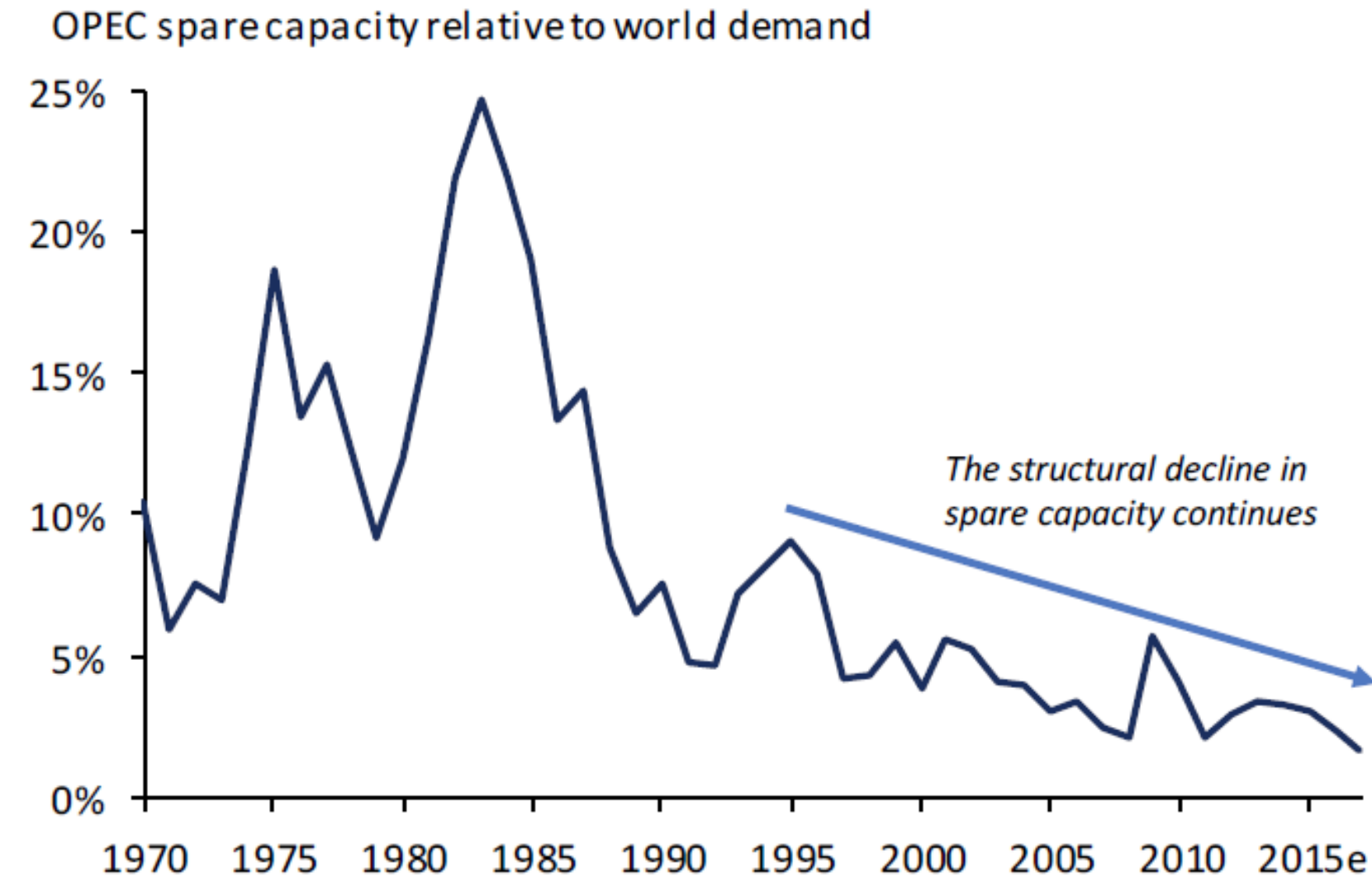
Source: IEA; IMF; BP; Pareto

Production according to plan?

Petrobras oil production in Brazil (mbd)



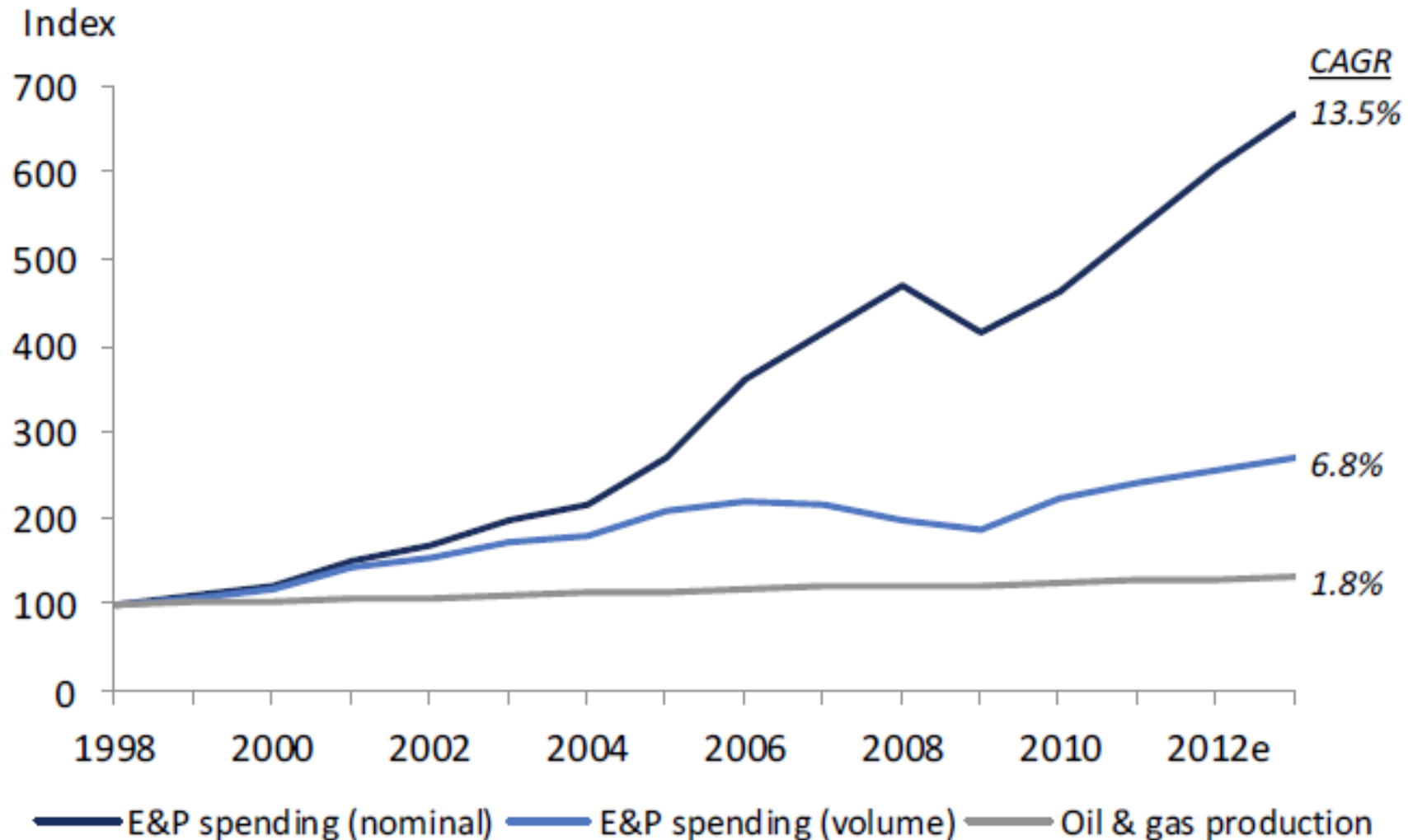
Spare capacity?



Source: IEA; BP; Pareto

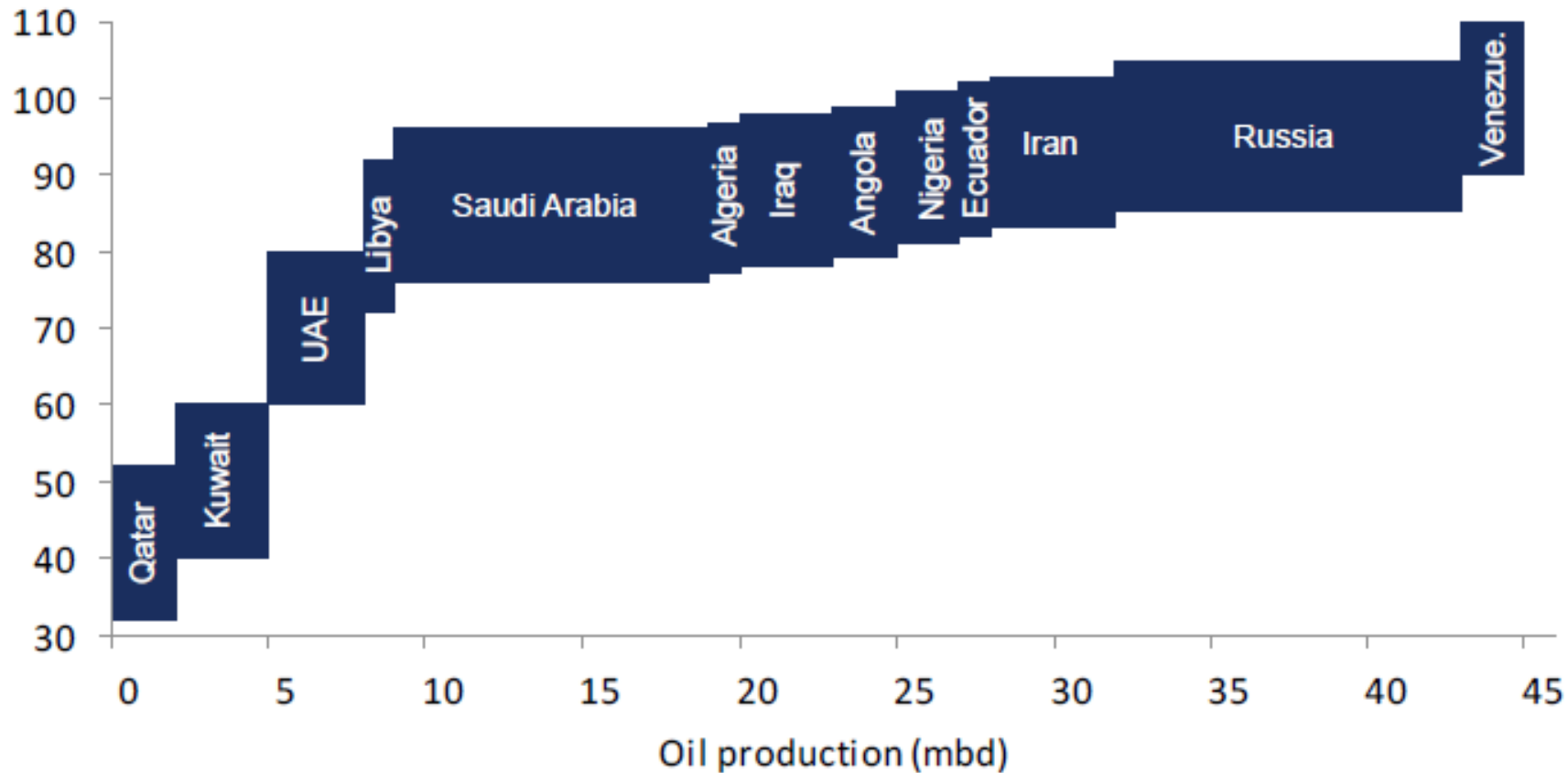
What are oilcos doing with the situation?

E&P spending vs. oil & gas production 1998 – 2013e (Indexed)



Offshore oilservice need oilprice > 90 USD/bbl

Government budget breakeven oil price (USD/bbl)

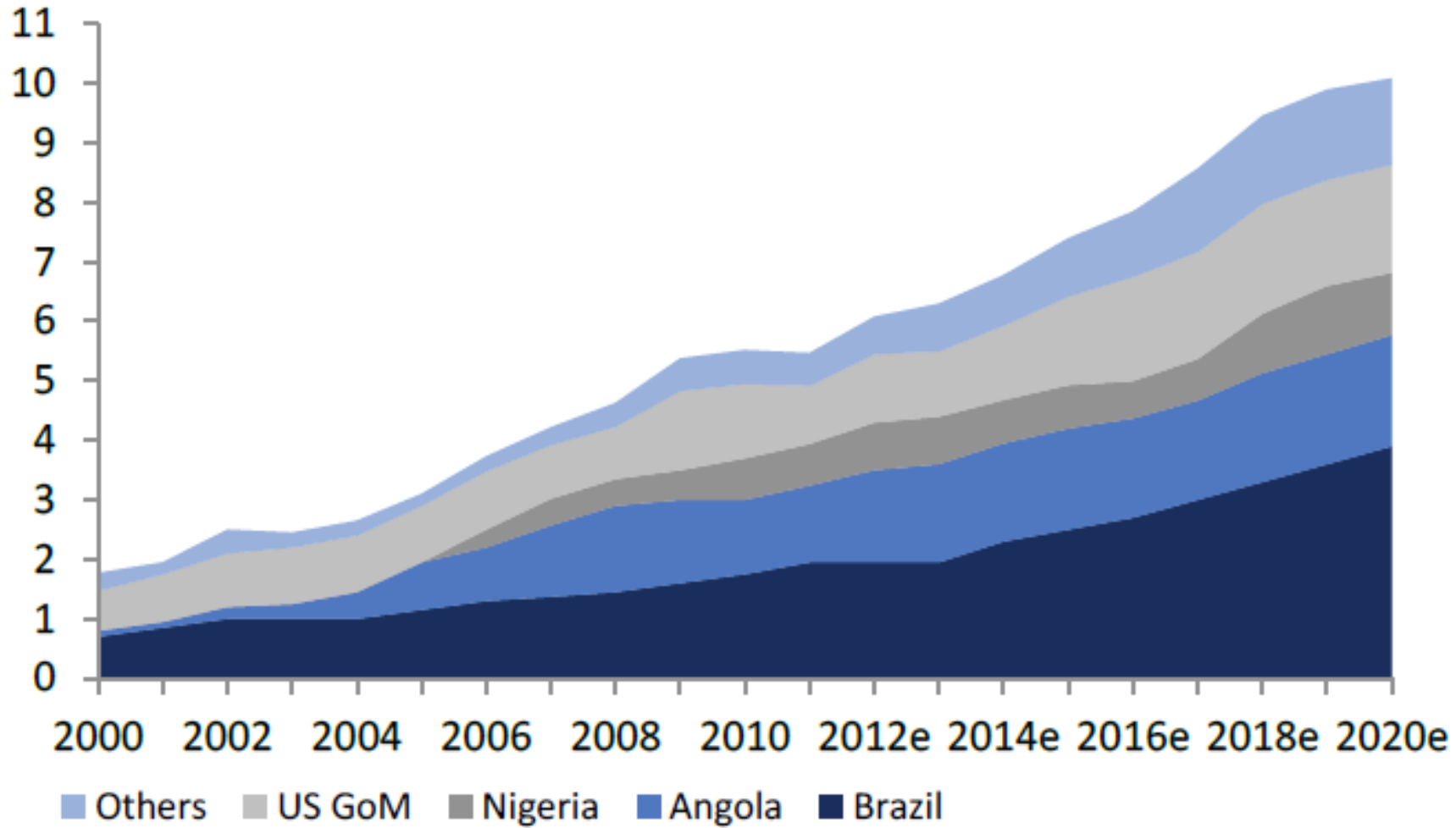


*Oil price needed to balance government budget

Source: IEA; Pareto Research

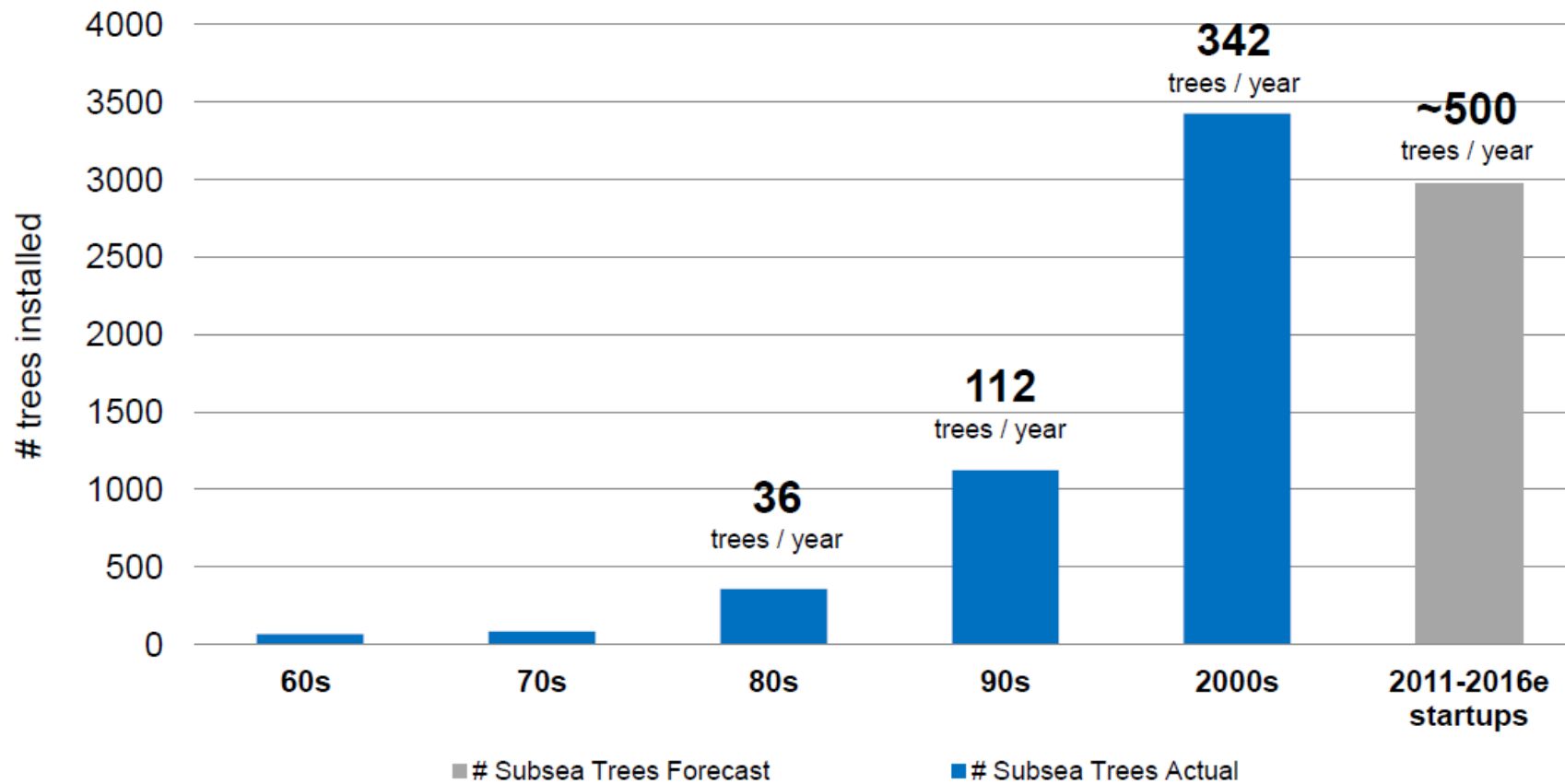
Deepwater is the name of the game.....

Global deepwater* oil production (mbd)



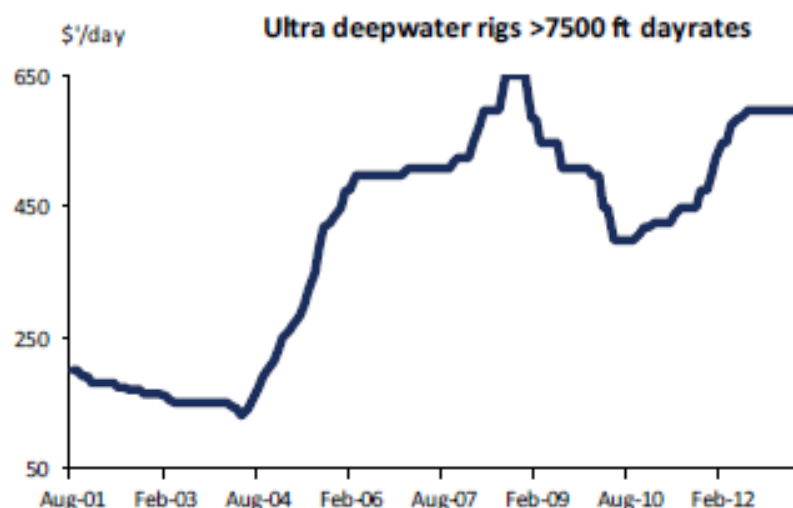
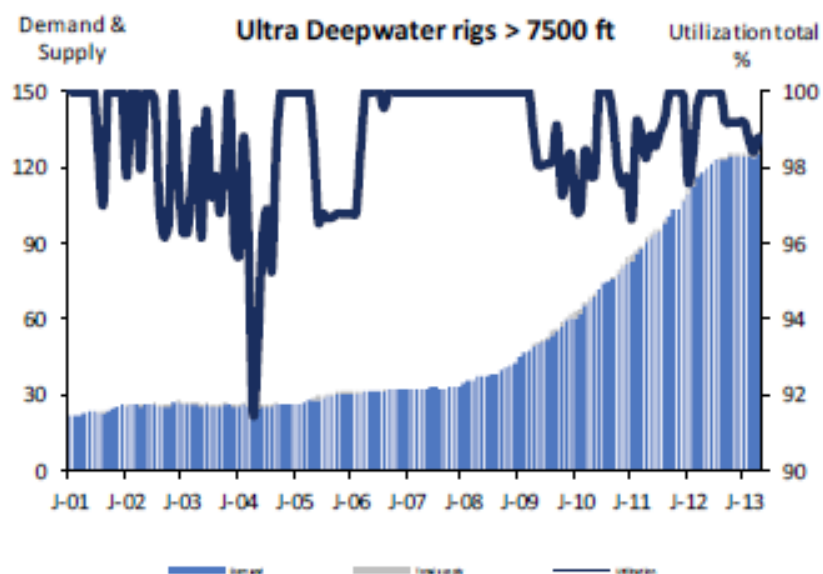
..and subsea is the preferred solution

Growth in # of subsea trees installed



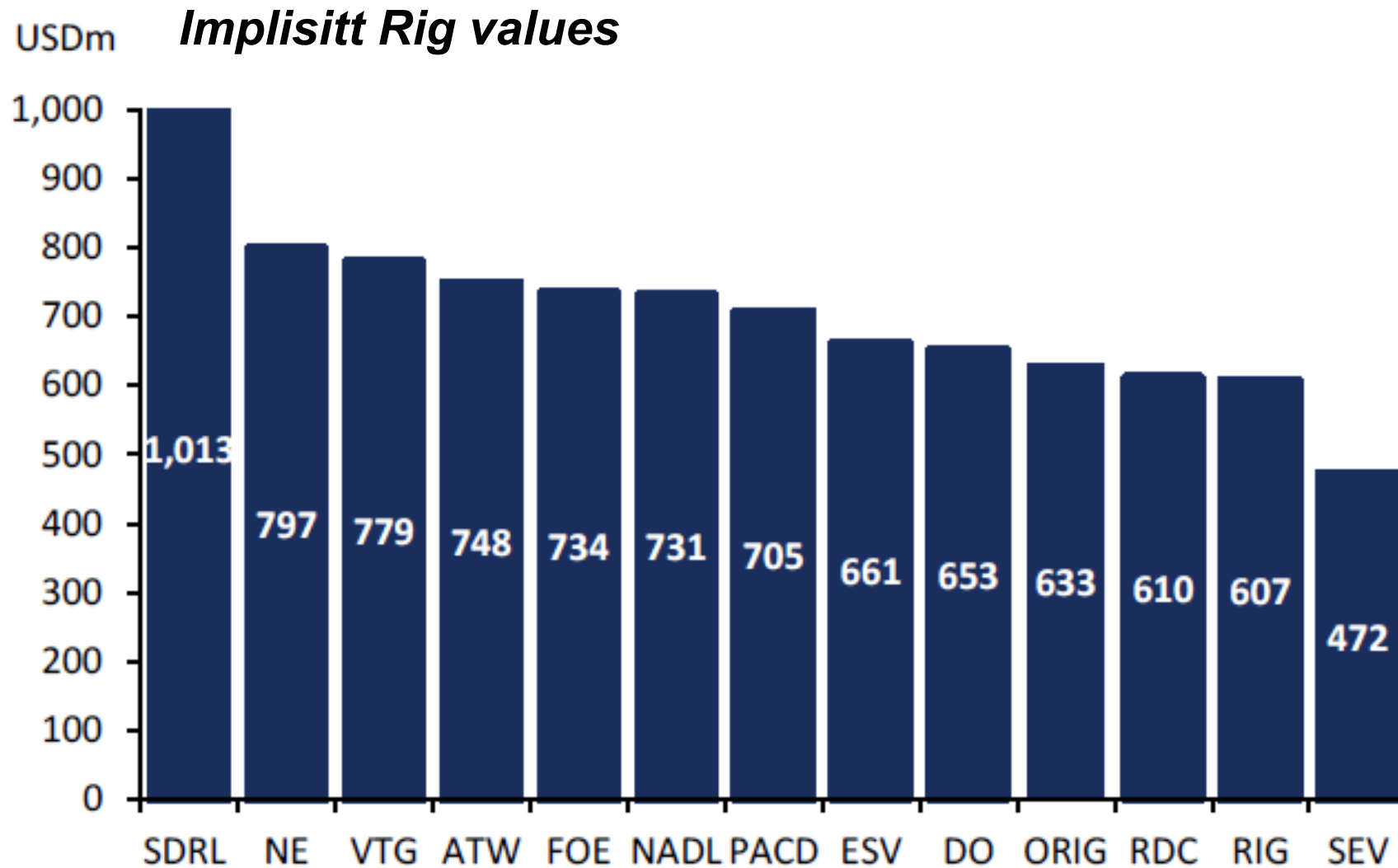
Rig is still hot

Fixture Date	Company	Rig	Rig type	Operator	Region	Rate \$'/day	Old \$'/day	Duration	Start-up	Comments
18-Apr	Transocean	Deepwater Asgar	6GDS	TBA	Indonesia	600	N/A	3Y	07-Feb	New mutual
18-Apr	Noble	Tom Madden	6GDS	PXP	USGoM	610	N/A	3Y	21-Dec	New mutual
18-Apr	Noble	Sam Croft	6GDS	PXP	USGoM	610	N/A	3Y	20-Aug	New mutual
16-Apr	Seadrill	West Neptune	6GDS	LLOG	USGoM	570	N/A	3Y	28-Sep	New mutual
16-Apr	Ensco	Ensco 8502	5GSS	Stone Energy	USGoM	525	500	8M	01-Nov	New mutual
15-Apr	Transocean	Cajun Express	5GSS	Caim Energy	Morocco	600	518	1Y	01-Sep	New mutual
09-Apr	Pacific Drilling	Pacific Scirocco	6GDS	Total	Nigeria	495	475	1Y	31-Dec	Priced option
15-Mar	Stena	Stena Carron	6GDS	Statoil	Angola	620	515	3Y	11-Dec	New mutual
07-Mar	Ocean Rig	Ocean Rig Apollo	6GDS	Operator Tba	Congo	600	N/A	3Y	15-Jan	New mutual
19-Feb	Ensco	Ensco DS-7	6GDS	Total	Angola	648	N/A	3Y	01-Oct	New mutual
19-Feb	Ensco	Ensco 8500	6GSS	Anadarko	USGoM	300	300	1Y	01-Sep	Priced option



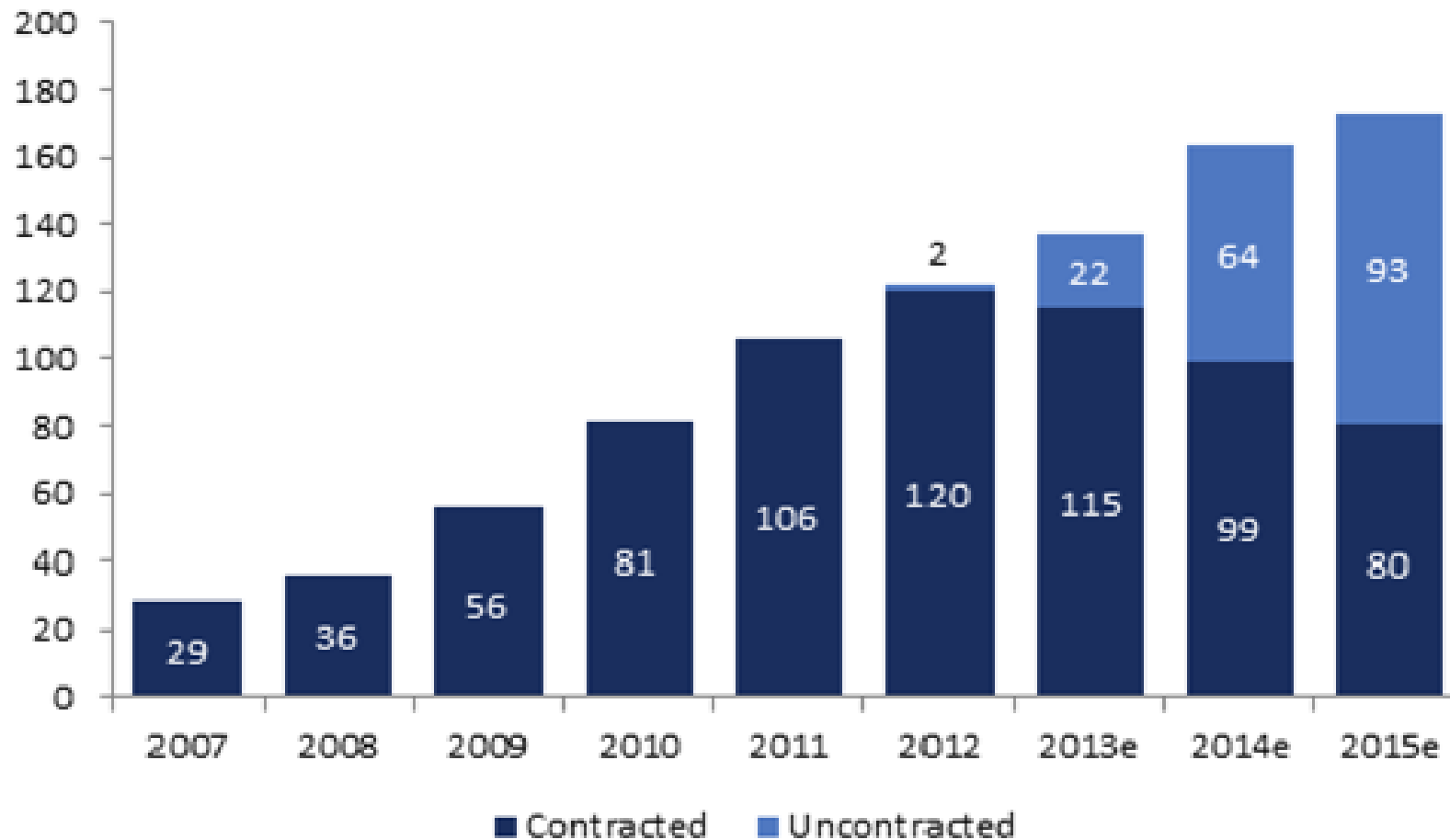
Source: Pareto Research, ODS-Petrodata

....but expensive

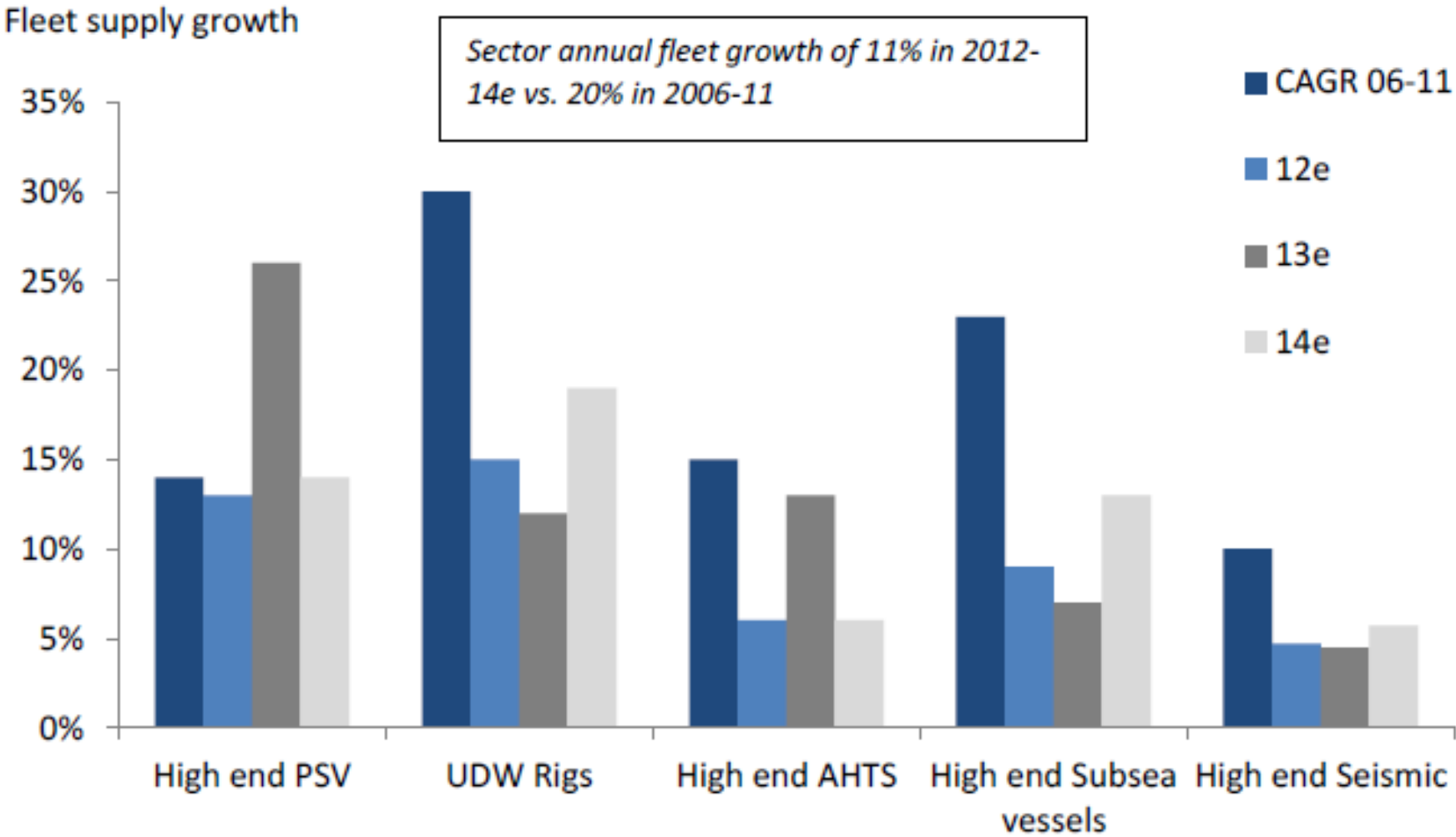


New rigs will be absorbed – creating demand for other oilservice

of Ultra deepwater units and backlog coverage



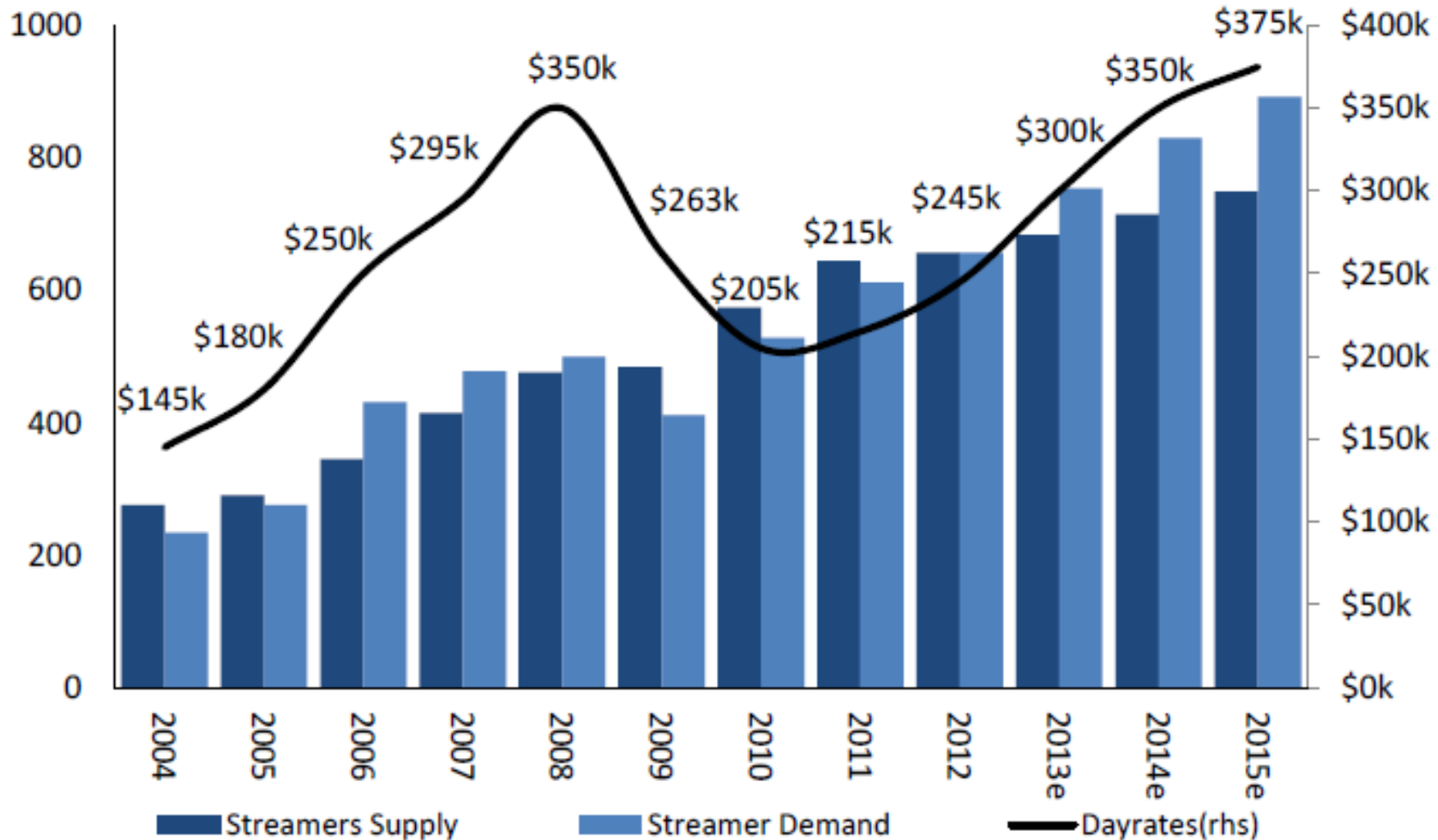
Overall oilservice supply growth is manageable now



Source: Company data, Pareto

Seismic rates are on the move

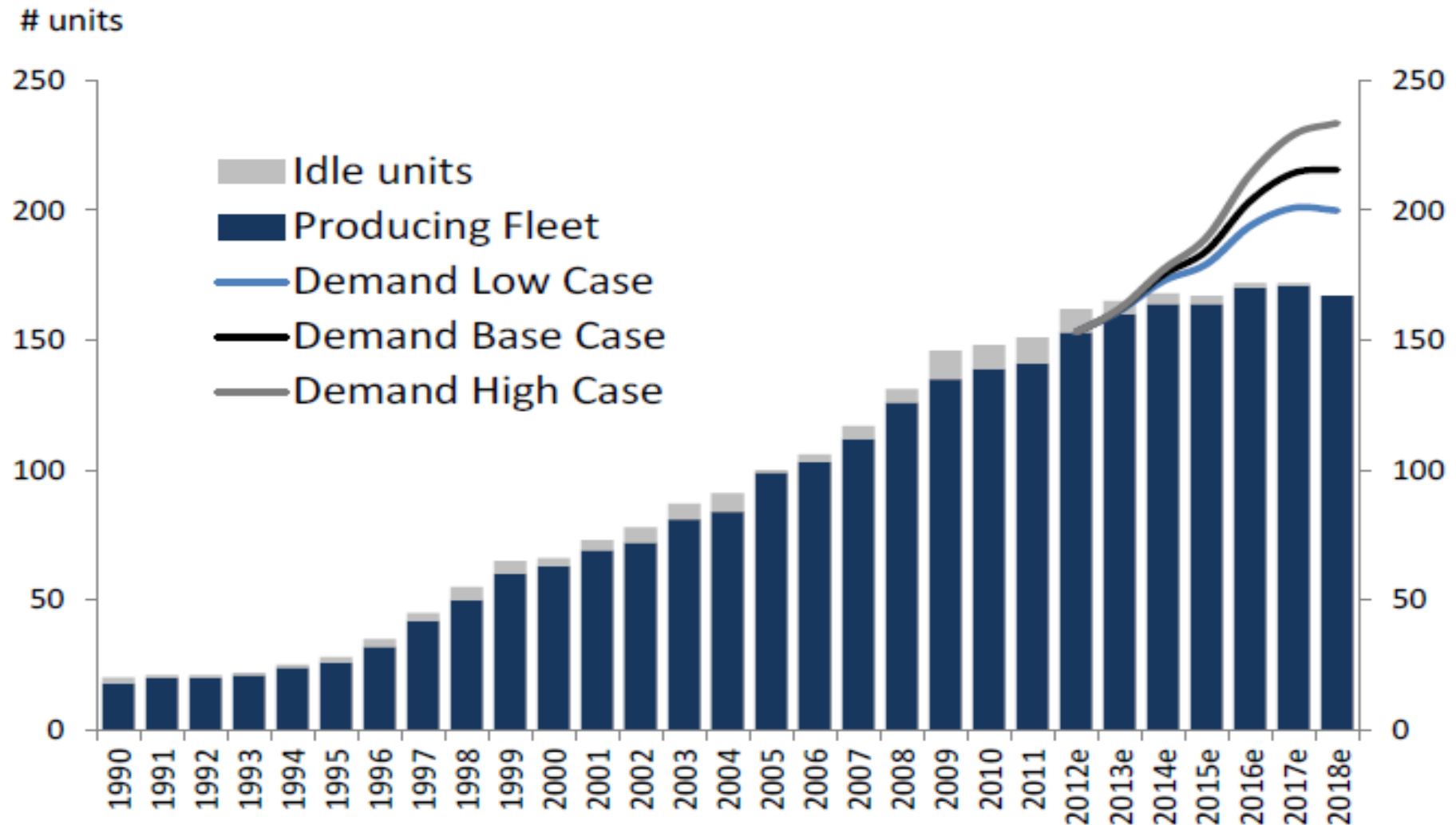
Supply/demand, high end 3D



Source: Pareto (rates for 10-12 streamer vessel)

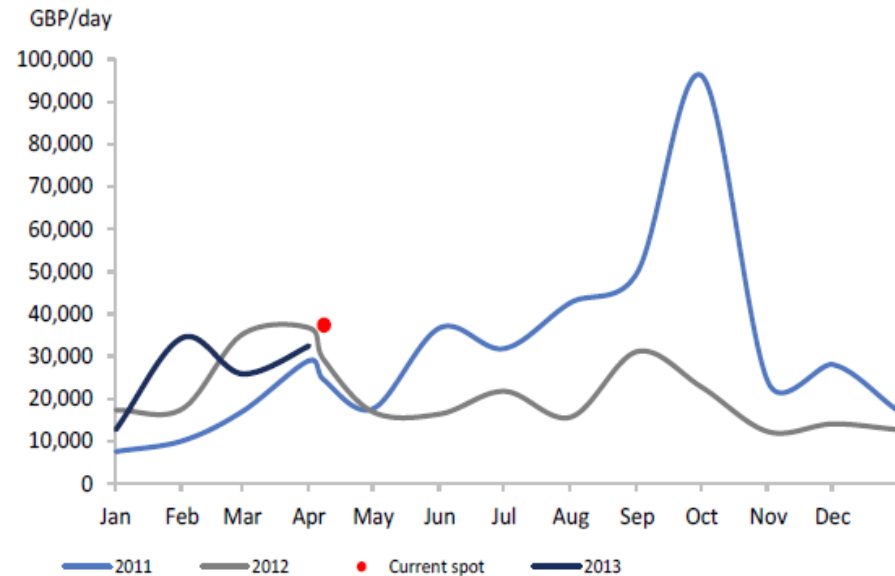
FPSO looks good – but players need the guts of the rig owners

FPSO supply/demand



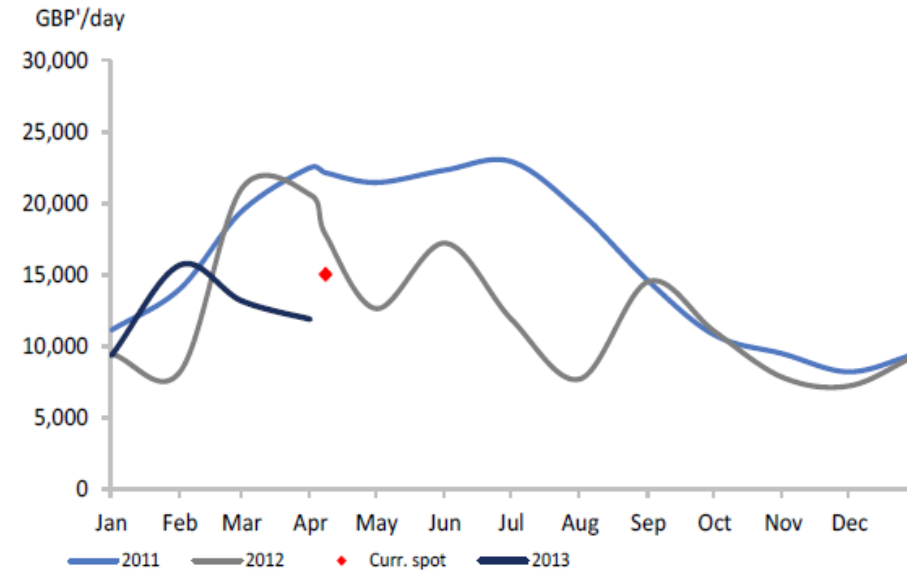
Supply is quite ok

AHTS > 15,000 bhp



- Market showing signs of balance this year with healthy dayrate levels and utilization until recently.
- Current spot around NOK 300,000/day (NCS).
- Improved potential for 2013 with limited newbuilds entering, increased activity.

PSV > 4,000dwt



- PSV market also holding up well with new deliveries YTD largely not impacting North Sea spot supply.
- A recovery is still dependent on migration out of the North Sea with a significant number of vessels due for delivery next 12-18 months.
- Vessel values threatened by non-European built vessels increasingly competing.

Summary/conclusion

- ▶ Demand for oil is still strong
 - Tight oil is not a big threat
 - Short term challenge is decline in production not increased demand
 - Real breakeven prices are often in the USD 80-100/bbl range
- ▶ E&P spending will continue to grow
 - Spending more but recovering less
 - Will secure healthy demand for oilservice
- ▶ Orderbook of new units has come down
 - Lack of financing will deny a new ordering spree
- ▶ Rate levels are picking up down the «foodchain»
 - Drilling has lead the way
 - Seismic has moved allready
 - Expect FPSO, Subsea and OSV to follow
- ▶ Still healthy market balance, but look out for increase in asset prices – will push the service in to higher risk area going forwrad – the window of investment opportunity is tightening
 - Look for cashflow deals

Disclaimer

These materials have been prepared by Pareto Project Finance AS and/or its affiliates (together “Pareto”) exclusively for the benefit and internal use of the client named on the cover in order to indicate, on a preliminary basis, the feasibility of one or more potential transactions. The materials may not be used for any other purpose and may not be copied or disclosed, in whole or in part, to any third party without the prior written consent of Pareto.

The materials contain information which has been sourced from third parties, without independent verification. The information reflects prevailing conditions and Pareto’s views as of the date of hereof, and may be subject to corrections and change at any time without notice. Pareto does not intend to, and the delivery of these materials shall not create any implication that Pareto assumes any obligation to, update or correct the materials.

Pareto, its directors and employees or clients may have or have had positions in securities or other financial instruments referred to herein, and may at any time make purchases/sales of such securities or other financial instruments without notice. Pareto may have or have had or assume relationship(s) with or engagement(s) for or related to the relevant companies or matters referred to herein.

The materials are not intended to be and should not replace or be construed as legal, tax, accounting or investment advice or a recommendation. No investment, divestment or other financial decisions or actions should be based solely on the material, and no representations or warranties are made as to the accuracy, correctness, reliability or completeness of the material or its contents. Neither Pareto, nor any of its affiliates, directors and employees accept any liability relating to or resulting from the reliance upon or the use of all or parts of the materials.